

The Treasury

Submissions on a New Independent Infrastructure Body Information Release

February 2019

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;

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SUBMISSION TEMPLATE

A New Independent Infrastructure Body

New Zealand Treasury

October 2018

A New Independent Infrastructure Body

Your responses

Please write your responses into the template following this introductory page.

Please note:

- ▶ You do not need to answer all sections – just the ones for which you have information or comments you would like to contribute.
- ▶ Please submit your response to infrastructure@treasury.govt.nz by **5pm on Friday 26 October 2018**.

The information provided in submissions will be used to inform the Treasury's policy development process, and will inform advice to Ministers in relation to this matter. We may contact submitters directly if we require clarification of any matters in submissions.

Thank you for your time and effort on making your submission.

For further information

Website: <https://infrastructure.govt.nz> (redirects to the Treasury's Infrastructure pages)

Email: infrastructure@treasury.govt.nz

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The OIA sets out reasons for withholding information. Reasons could include that the information is commercially sensitive or that you wish us to withhold personal information, such as names or contact details. An automatic confidentiality disclaimer from your IT system is not a reason to withhold information.

We will consider your objections when responding to requests under the OIA.

Private Information and inclusion of names with published submissions

We will use any personal information you supply while making a submission **only** for matters covered by this document. **Please clearly indicate in your submission if you do not want your name included in any submission or summary of submissions that we may publish.**

Your contact details

For individuals

Your name:	Peter Silcock
	Indicate here if you do not wish your name to be included in any summary of submissions that we may publish.

Email address:	[1]
Phone number:	[1]

For organisations

Organisation name:	Civil Contractors New Zealand Inc
Nature of your business:	CCNZ is the representative organisation of Civil Contractors. We represent 600 businesses that are involved in contracting and associated activities. Our members range from large international and national companies through to owner operators that undertake most of the infrastructure construction and maintenance work undertaken in New Zealand.
	Indicate here if you do not wish your name to be included in any summary of submissions that we may publish.

Contact person name:	Peter Silcock
Position:	CEO
Phone number:	[1]
Email address:	[1]



Questions for Submitters

- 1 What do you think are essential features of the new independent infrastructure body, so it can deliver on its core purpose to strengthen infrastructure strategy, planning, investment and delivery (note functions are discussed below)?

Response:

Civil Contractors New Zealand strongly supports the formation of the proposed new infrastructure body because of the processes, principles and the comprehensive independent high-level infrastructure overview and expertise that it will bring.

We believe that it is critical local government infrastructure is included in within the mandate of the new body and that a “whole of life” approach is taken including the planning, design, financing, funding, construction, management, maintenance and decommissioning of infrastructure.

The purpose of the body should be

To improve the quality of New Zealand’s infrastructure, to enhance our long-term economic performance and to improve the social and environmental wellbeing of generations to come.

To deliver on that purpose the essential features are

- **Independence**
To ensure advice provided to Government and industry is objective and based on best outcome. In this way, the infrastructure body can be an effective intermediary between the private and public sectors, and less vulnerable to shifts in the political landscape.
- **High level expertise**
To ensure the proposed infrastructure body can function effectively as a respected centre of excellence.
- **Resourcing**
To ensure the responsibilities can be achieved in a timely and effective manner.
- **Mandate, authority and empowerment**
To ensure the proposed infrastructure body is able to implement its recommendations at the necessary scale.

We support the eight proposed function outlined in the proposal and believe that these fall into three broad areas

1. **Independent strategic advice and support to infrastructure decision makers.**
This covers functions 1 to 5 outlined in the proposal. This includes the collection and collation of information, the objective analysis of the information, prioritisation

of infrastructure construction and maintenance and publication of information, identification of barriers and analysis and recommendations.

This will provide a critical national level overview and prioritisation. Our current approach is siloed and fragmented which results in lost opportunities, duplication and major inefficiencies. Having one source of information will add significant value to decision makers, investors and contractors.

The collation and analysis of information should both look forward to our future infrastructure needs and priorities and look back to analyse whether past investments have achieved the objectives set, to provide information on whole of life costs and how existing infrastructure may need to be upgraded to meet our changing needs – for instance if development of resilience in our infrastructure is required to offset more frequent severe weather events.

This analysis of past investments should better inform future investments and proposed infrastructure projects.

An independent infrastructure body will add reduce the impact of political swings in infrastructure investment, in turn reducing the impact on contractors and others involved in the infrastructure industry.

2. **A shop front and centre of excellence.** This covers function 6 outlined in the proposal. The body should interface with all parties involved in the planning, funding, financing, construction, management and maintenance of New Zealand's infrastructure assets.

For example, the body's high-level view of New Zealand's infrastructure needs places it in an excellent position to meet with those planning a major project, potential investors or construction companies considering making large investments in plant.

A critical aspect of this is acting as an intermediary between the public and private sectors, ensuring contract terms are fair and risk is allocated fairly in a way that all parties are comfortable with.

3. **Providing infrastructure project delivery resources.** This covers functions 7 and 8 in the proposal. It is critical that this function is included in the proposal as many agencies with responsibility for infrastructure lack the specialist knowledge and expertise required to gather the information required to make informed decisions.

This expertise should be able to be seconded or contracted across to the agency concerned. The decision making around this need to be further investigated as in many cases the agencies may not be aware of the expertise they lack or how engaging that expertise could improve infrastructure outcomes and save money.

2 What relationship should the independent infrastructure body have with the government?

Response:

The body should report to Parliament rather than to a Minister or group of Ministers. The independence of the body is critical to achieving the eight functions identified in the proposal.

CCNZ believes the body should have an independent board of between six and 10 people with a range of private and public sector infrastructure and governance expertise. The Board should be appointed by Parliament.

The body needs a very high level of independence (similar to the Commissioner for the Environment). Political neutrality is important, as part of the role of the body will be to reduce the impact of political shifts on infrastructure-related industries and projects.

It is critical that the body has a very close working relationship with Government and Ministers with responsibilities for infrastructure however the body needs to maintain independence to achieve the level of engagement required (with other infrastructure agencies, potential investors) and to ensure a high level of talent is attracted to work for and serve on the board of the new body.

This independence must be coupled with close communication at central government, local government and agency levels.

Clear reporting timeframes should be set to ensure the relationship between Government and the infrastructure body is structured and clear.

As in Infrastructure New Zealand's submission, we support the extension of the body's advice and assistance to both central and local government, noting that capability across councils is in most cases below that of major Government departments.

The Body's mandate should be complementary to existing departments and workflows. Some functions and responsibilities currently spread across Government departments may be able to be consolidated under the authority of the new body.

i In particular, what level and form of independence does the body need to be credible and influential from your perspective?

Response:

It is essential the infrastructure body is both credible and influential. If credibility is lacking, the new body will be subject to extreme criticism and be unable to perform its functions. Credibility will arise from high standards of advice, research and behaviour – and these in turn will be dictated by the resourcing and skills appointed to the body.

If influence is lacking, the body may be able to meet some goals in terms of advice, but it will not be able to implement its functions at the national scale that is required.

Greater influence may be possible through mandated authority, for instance if the infrastructure body is able to set a required standard for three waters infrastructure across local government.

While coercive powers may be going too far, government and agencies should be required to respond to certain reporting levels in certain ways, and provide reasoned responses if decisions do not follow recommendations made by the infrastructure body. That said, the infrastructure body should be an advisor that makes recommendations, rather than a decision-maker in itself.

ii Should the level and form of independence vary according to each different function? *If yes, please elaborate*

Response:

No. CCNZ believes that having varying degrees of independence would be difficult to manage and could provide mixed messages to the public and agencies the body will engage with. CCNZ recommends a high level of independence should extend across all functions the body undertakes.

Form of independence may depend on ensuring functions are not duplicated and inefficiencies are not created.

3 Thinking about the possible functions proposed in this document (listed below), how important is each function on a scale of 1 (not very important) to 5 (essential)?

Functions to consider and comment on:

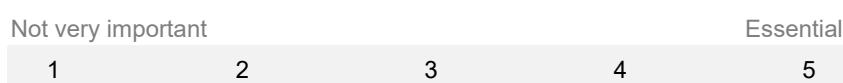
- ▶ Assess the condition of New Zealand's infrastructure assets



- ▶ Develop a shared understanding of New Zealand's long-term infrastructure strategy



- ▶ Identify New Zealand's highest priority infrastructure needs



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<p>▶ Identify and comment on the barriers to delivering good infrastructure outcomes</p>																	
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4 Are there any other functions, in addition to the proposed list above, which you think the independent infrastructure body should carry out?

If so, please rate the importance of each additional function on a scale of 1 (not very important) to 5 (essential).

Response:

There are two further functions that CCNZ would like included

1. Review and recommend business cases for major projects.

We support the proposal put forward by Infrastructure New Zealand that the body should review and recommend business cases for major projects (those set at a certain level of investment, or enacted at a certain scale) and also be able to conduct evaluations of projects to understand how they have performed relative to the business case projections.

The body must have significant expertise that should be utilised in the process of reviewing and recommending business cases. The post evaluation by an independent body will provide huge value that can be leveraged within future investments and will provide information to guide best practice.

CCNZ would rate this as 4 – very important

2. Asset management and engineering practice

CCNZ supports the submissions made by the Engineering Leadership Forum regarding the role that the body should take in terms of “best practice infrastructure management”.

This includes engineering practice and conformity of standards across the infrastructure sector in all aspects of infrastructure investment, operation and maintenance, and if necessary by regulation or statute.

Best practice infrastructure management hinges around the preparation and interpretation of detailed long-term asset plans which must be underpinned by accepted standards, practices, and methodologies, and prepared by asset management experts.

The proposed body should play a major role in ensuring that best practice asset management information is up to date, freely available and used.

CCNZ would rate this as 4 – very important

3. Acting as an intermediary between the private and public sectors

Acting as an intermediary between the public and private sectors is hugely important for this infrastructure body.

It must ensure contract terms are fair and risk is allocated fairly in a way that all parties are comfortable with, and has the potential to combine perspectives from several different parties that are involved.

5 Thinking about each possible function individually (including any additional functions you have listed above) how could the new independent infrastructure body best achieve each function?

Functions to consider and comment on

- ▶ Assess the condition of New Zealand's infrastructure assets

Response:

The key would be firstly ensuring there are common standards and measurements in place. The body would do this by working with infrastructure managers and industry organisations to set or develop standards. These standards and measurements would be based on existing metrics complimented by information about what is used and works off shore. NZTA have implemented the One Road classification system and Water NZ is involved in a meta data project.

Secondly the body would need to have powers and authority to be able to require asset owners to provide information to them.

This assessment should not just cover the current state but also look at how the infrastructure is likely to cope with future changes e.g. climate change impacts.

This function should relate to the ability to set standards and have oversight on the authorities that directly assess the condition of NZ's infrastructure assets, rather than directly staffing and resourcing the assessment of the physical assets. It may be that asset condition reports are submitted to the infrastructure body, rather than the body directly coordinating the reports.

- ▶ Develop a shared understanding of New Zealand's long-term infrastructure strategy

Response:

The independence of the body is critical to achieving this. The body, its board and staff need to build the confidence of all stakeholders. This can be achieved by publishing of reliable and accurate information and insightful analysis that will build confidence in the independence of the body.

A shared understanding of the strategy can only be achieved through a high level of engagement of all stakeholders in the development of the strategy. This will take time, but the investment will be worthwhile.

- ▶ Identify New Zealand's highest priority infrastructure needs

Response:

Prioritisation is a key function. At present there is no NZ-wide prioritisation as infrastructure is managed by a range of organisations. The body will need to develop a mechanism to establish priorities that balances the range of needs of various stakeholders – to listen to and understand perspectives of communities, businesses and organisations without losing sight of the best options.

Similar overseas infrastructure bodies have the same function and learning from their experience with different rating tools will be very valuable and would save both time and money.

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| <ul style="list-style-type: none">▶ Identify and comment on the barriers to delivering good infrastructure outcomes |
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Response:

The independence of the body and high levels of trust with various stakeholders will encourage the sharing of information.

Conducting evaluations of projects to understand how they have performed relative to the business case projections on clear and established timelines (as mentioned above) will provide real life information on barriers and common problems.

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| <ul style="list-style-type: none">▶ Publish long-term capital intentions |
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Response:

The body needs to be given the powers and authority to obtain this information.

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| <ul style="list-style-type: none">▶ Act as a 'shop front' for the market including publish a pipeline of infrastructure projects |
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Response:

Once this is established as one of the functions of the body and the body produces the pipeline information I would expect that the market will come to the body. The body will need to ensure it has capacity and people with the capability to effectively engage with the market.

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| <ul style="list-style-type: none">▶ Provide project procurement and delivery support |
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Response:

Firstly, the staff of the body involved in providing procurement and delivery support will need to have a high level of expertise and knowledge. If they don't then this will very quickly undermine confidence in the new body. Adequate resourcing needs to be made available to attract the right people (the skills of these people are in demand globally)

The independence of the body and its staff will be critical to achieving this. Other agencies will need to trust the staff that are seconded into their organisation.

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| <ul style="list-style-type: none">▶ Provide best practice guidance on project procurement and delivery |
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Response:

The body needs to work with stakeholders including industry bodies to develop best practice guidance and to also set expected standards. These should apply to all government and local government procurement.

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| <ul style="list-style-type: none">▶ Any additional functions you have proposed |
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Response:

Review and recommend business cases for major projects.

This needs to be built into the existing process and the body resourced to do this. It is a natural extension of the functions of the body and by reviewing business cases they will build knowledge (non commercial) that can be shared and utilised to better inform future business cases. In this way the body will contribute to the continuous improvement of business cases and ultimately the quality of our infrastructure.

Asset management and engineering practice

CCNZ would expect the body to work with key stakeholders to develop and assist in the implementation of best practice.

Acting as an intermediary between the private and public sectors

Acting as an intermediary between the public and private sectors is hugely important for this infrastructure body.

It must ensure contract terms are fair and risk is allocated fairly in a way that all parties are comfortable with, and has the potential to combine perspectives from several different parties that are involved.

With its independent position, the new infrastructure body must act as a forum at regional and central levels. If a central solution is proposed, this needs to adequately recognise regional needs. If a decentralised solution is proposed, this needs to be practical to implement.

6 How could the new independent infrastructure body best work with local government and the market to help them plan long-term infrastructure?

Response:

Local Government

CCNZ is of the strong view that we can achieve massive improvements in the way that local government infrastructure and infrastructure investments are managed.

It is critical that the body mandate extends across local government.

Local Government should along with central Government agencies should be required to provide information to the body about

- The assets they and their CCOs own and manage
- The state of their assets using agreed measurement tools and metrics
- Infrastructure investment plans
- Their future capital intentions including information such as estimated costs timing, funding and priorities
- Assessments of the resilience of their infrastructure using agreed tools and metrics

Local government should be able to access information, guidance and procurement and delivery support from the body. As a condition of supplying funding central government may require local authorities to use specialist expertise provided by the body.

Long term planning is a key part of our recommendation about asset management and engineering practice.

Central government need to set clear expectations about the level of long-term planning required and the systems for procuring infrastructure assets. The new infrastructure body can then work with the Office of the Auditor general to monitor delivery against those plans

The wider market

Engagement with the rest of the market including funders, financiers, insurers, designers, engineers, contractors/sub-contractors and utility operators will be very important and these relationships will develop over time.

Again the independence of the body and the quality of their outputs will be determining factors in the level of engagement. A well-functioning body should establish these relationships very quickly.

7 How could the new independent infrastructure body best engage with the market?

Response:

There are a wide range of organisations and businesses and a detailed communications and engagement plan would be required. The body will need to have a dedicated communications team.

CCNZ as a national organisation representing contractors would be happy to facilitate meetings and introductions to our members.

8 What information should a published pipeline of infrastructure projects include?

Response:

CCNZ would suggest that this requires further research to determine the needs of all stakeholders.

9 What type of support could the new independent infrastructure body provide to the market in order to act as a ‘shop front’ (Function 6)?

Response:

CCNZ would suggest that this requires further research to determine the needs of all stakeholders.

10 How could the new independent infrastructure body best assist local government to support and deliver infrastructure projects?

Response:

Having expertise available to assist into every stage of an infrastructure project (dependent on the specific needs of the project or local authority).

Providing tools and metrics to measure the condition and resilience of infrastructure assets

Providing standard documents and best practice guidance

Providing standard specifications/designs for common infrastructure projects

Providing linkages to the market – planners, designers, engineers, technical experts, contractors, financiers etc.

11 Are there any other comments you wish to make?

This could include comments on the form and governance of the new independent infrastructure body.

Response:

Infrastructure New Zealand has suggested that the body's mission should be to achieve a "value-add" of five per cent per annum in terms of our capital expenditure programme.

CCNZ believes that such a value add can be achieved through improved procurement processes, increased standardisation, reduced delays and waste, consideration of whole of life costs and importantly decision making based on what is best for our current and future infrastructure assets.

However, as contractors we are concerned that when cost savings are mentioned many clients immediately target lower contract prices. Given the recent industry debate around the detrimental impacts of lowest price contracting and risk transfer we need to ensure that the clear understanding is that this is value add and not price reduction.